

OPEN RANGE CAPITAL CORP.
FINANCIAL STATEMENTS
MAY 15, 2004



hudson&company^{LLP}




OPEN RANGE CAPITAL CORP.
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Open Range Capital Corp. ("ORCC") is a company incorporated in the State of Nevada. The company's principal business is the acquisition, development, and operation of oil and gas properties. The company's headquarters are located in Reno, Nevada.

The financial statements of ORCC are prepared on the basis of the accounting records maintained by the company. The financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America. The financial statements are audited by an independent accounting firm. The financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America.

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[Signature]
President
May 15, 2004
Reno, Nevada



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AUDITORS' REPORT

To: The Directors of
Open Range Capital Corp.

We have audited the balance sheet of **Open Range Capital Corp.** (the "Company") as at May 15, 2004. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Company as at May 15, 2004, and the results of its operations and its cash flows then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
May 19, 2004, except for note 6
which is as at August 9, 2004

Hudson & Company LLP

HUDSON & COMPANY LLP
Chartered Accountants

OPEN RANGE CAPITAL CORP.
BALANCE SHEET

MAY 15, 2004

ASSETS

CURRENT

| | |
|---------------------|------------|
| Cash | \$ 139,300 |
| Accounts receivable | <u>700</u> |
| | 140,000 |

| | |
|-------------------------|-------------------|
| DEFERRED COSTS (note 3) | <u>27,000</u> |
| | <u>\$ 167,000</u> |

LIABILITIES

CURRENT

| | |
|------------------|-----------|
| Accounts payable | \$ 17,000 |
|------------------|-----------|

SHAREHOLDERS' EQUITY

| | |
|------------------------|-------------------|
| SHARE CAPITAL (note 4) | <u>150,000</u> |
| | <u>\$ 167,000</u> |

Approved on behalf of the Board

Hugh M. Thomson, Director _____

Thomas W. Robinson, Director _____

OPEN RANGE CAPITAL CORP.
STATEMENT OF CASH FLOWS

PERIOD ENDED MAY 15, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------|
| Net earnings | \$ - |
| Changes in non-cash working capital items | |
| Accounts receivable | (700) |
| Accounts payable | <u>17,000</u> |
| | 16,300 |

CASH FLOWS FROM INVESTING ACTIVITY

| | |
|----------------|----------|
| Deferred costs | (27,000) |
|----------------|----------|

CASH FLOWS FROM FINANCING ACTIVITY

| | |
|---------------------------|----------------|
| Issuance of share capital | <u>150,000</u> |
|---------------------------|----------------|

INCREASE IN CASH 139,300

CASH, beginning of period -

CASH, end of period \$ 139,300

OPEN RANGE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENT

MAY 15, 2004

1. NATURE OF OPERATIONS

Open Range Capital Corp. (the "Company") was incorporated pursuant to the provisions of the Alberta Business Corporations Act on April 7, 2004. The Company is classified as a capital pool company as defined pursuant to the TSX Venture Exchange Policy 2.4. The Company proposes to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

The Company has not commenced operations and as a result no statements of earnings nor retained earnings are presented in this financial statement.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are deferred costs and accounts payable.

Cash

Cash consists of balances with financial institutions.

Deferred costs

Direct costs incurred to prepare the prospectus and perform the public offering have been deferred. Upon completion of this transaction a charge to share capital will be done for the balance. Failure to complete the offering will result in a charge to earnings.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

OPEN RANGE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENT

MAY 15, 2004

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Stock-based compensation

The Company has a stock-based compensation plan, which is described in note 4. Awards of options under this plan are expensed based on the fair value of the options at the grant date. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

3. **DEFERRED COSTS**

The deferred costs consist of the following:

| | |
|-------------------|------------------|
| Agency fee | \$ 10,000 |
| Professional fees | 9,000 |
| Underwriter fees | <u>8,000</u> |
| | <u>\$ 27,000</u> |

4. **SHARE CAPITAL**

a) Authorized with an unlimited number of the following:

Common voting shares without nominal or par value.

Preferred shares, without nominal or par value, issuable in series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

b) Issued

| | <u>Issued</u> | <u>Amount</u> |
|-----------------|---------------|-------------------|
| Issued for cash | 3,000,000 | <u>\$ 150,000</u> |

On May 11, 2004 the Company issued 2,200,000 common shares at a price of \$0.05 per share for proceeds of \$110,000.

On May 12, 2004 the Company issued an additional 800,000 common shares at a price of \$0.05 per share for proceeds of \$40,000.

c) Escrowed shares

Under the requirements of the TSX-V the 3,000,000 common shares held by related parties will be held in escrow and 10% will be released upon the issuance of the bulletin announcing the acceptance of the Company's qualifying transaction (the "initial release") and 15% thereafter on each of the 6, 12, 18, 24, 30, 36 months following the initial release.

OPEN RANGE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENT

MAY 15, 2004

4. SHARE CAPITAL, continued

d) Stock options

The Company has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants to the Company with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares. The Company intends to grant an aggregate of 700,000 options to purchase common shares, exercisable at a price of \$0.10 per share for a period of five years from the date of grant, expected to be the date on which a receipt is issued for the final Prospectus as outlined in note 6. Stock option plan and the granting of options are subject to regulatory approval.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, deferred costs and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying values.

6. SUBSEQUENT EVENTS

Pursuant to a prospectus dated August 9, 2004 the Company intends to offer a total of up to 4,000,000 common shares at a price of \$0.10 per share, for net proceeds of \$311,000 after Agent's commission of 10% of gross proceeds, finance fee and expenses, and other costs of the issue.

Under the terms of the Agency Agreement, the agent will be granted non-transferable options to purchase up to 400,000 common shares at \$0.10 per share, exercisable for eighteen months from the date the common shares are listed on the TSX Venture Exchange.



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